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EXECUTIVE SECRETARY

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E-MAIL: eswansiger@kelleydrye.com

February 29, 2000

K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

Re: In re Application of Connect!LD, Inc. for a Certificate of Public
Convenience and Necessity to Provide Competing Switch-Based and
Resold Interexchange Telecommunications Services in the State of
Tennessee, Docket No. 99-00856

Dear Mr. Waddell,

Enclosed please find an original and thirteen (13) copies of Connect!LD, Inc. ("Connect!'s") responses to data requests from the staff of the Tennessee Regulatory Authority ("TRA"). Also enclosed is the pre-filed testimony of Cindy Lee, Manager of Regulatory Affairs of Connect!.

Due to the **confidential and proprietary** nature of the financial information contained in **Exhibit D** and in **Amended Exhibit F**, this information is submitted *under seal* in the enclosed envelope. The remainder of the requested information is set forth in the data requests and testimony enclosed herein.

Please feel free to contact the undersigned if you have any questions.

Sincerely,


Erin R. Swansiger

Enclosures

cc: D. Billye Sanders, Esq.

ATTACHMENT 1

CONNECT!LD, INC. **RESPONSES TO DATA REQUESTS FROM THE TENNESSEE REGULATORY** **AUTHORITY**

FEBRUARY 22, 2000

- 1. Please identify all complaints filed with regulatory agencies involving Connect!LD, Inc. ("Connect" or "Company") or affiliated companies. Identify the nature of the complaint, which government agency or office received the complaint and how the complaint was resolved.**

Response:

To date, there have been no complaints filed with regulatory agencies involving Connect! or any of its affiliated companies.

- 2. Please provide the pre-filed testimony of a representative of the Applicant.**

Response:

Please see the Pre-filed Testimony of Cindy Lee, Manager of Regulatory Affairs for Connect!, which is appended to this data request.

- 3. Please provide complete details regarding the note referred to in the Company's 1998 Balance Sheet.**

Response:

This note is payable to the Company's sole shareholder, Ted Snider, Jr., and is a personal loan. The interest rate of the note is 10%. There are no terms or repayment schedules for this loan.

- 4. Please provide information as to how the Company intends to cover the projected net income loss for the year-end 2000, and through August of 2001, as contemplated in its projected financial statements.**

Response:

The projected net income loss for the year 2000 will be covered by personal funding from the current owner of CCC, Ted Snider, Jr., and \$18.75 million in equipment and working capital financing obtained from Lucent Technologies, as well as by funding by potential equity investors in CCC. Additionally, the Company expects the projected net income loss for the year 2000 to be partially offset by cash flow received from increasing numbers of profitable points of

presence ("POPs") in areas in which the Connect family of companies currently are operational, including Arkansas, Rhode Island and Utah. While it is true that Connect! is projecting losses through October of 2001, it is also projecting profits for the remainder of 2001, which will be gained through profitable, affiliate POPs, as well as through a high yield debt offering and an initial public offering of the entire Connect family of companies, both of which should occur in 2000 or 2001.

The Company requests confidential and proprietary treatment of this information.

5. Please provide interim statements for 1999 for Connect Communications Corporation to confirm tracking of progress.

Response:

Please see ***Exhibit D***, appended hereto, which has been supplemented to include 1999 year-to-date consolidated financial statements (including Cash Flow Statement, Balance Sheet and Income Statement) of Connect! and its affiliate companies – the corporate entities that will provide financing for the Company's Tennessee operations.

As you will see, the heading on the 1999 financial statements is "Connect!." This name refers to the entire "Connect! family" of companies, including the parent company of all of these companies, Connect Holdings Corporation ("Connect Holdings"), as well as all of the subsidiary companies of Connect Holdings, including Connection Communications Corporation, Connect!LD, Inc., and each state local exchange carrier affiliate, including CCCTN, Inc. This entire "family" of companies will provide the funding for Connect!LD and for CCCTN, Inc. d/b/a Connect! in Tennessee.

The heading on the 1998 financial statements is Connect Communications Corporation ("CCC").

The heading on the 1999 financial statements differs from the heading on the 1998 financial statements due to the fact that, since the time of the initial filing of the application of Connect!LD in Tennessee, CCC has become a wholly-owned subsidiary of Connect Holdings. [At the time of the filing of the Application, CCC was a sister/affiliate company of Connect Holdings.] Funding for the Company's Tennessee operations (both for Connect!LD and for CCCTN, Inc. d/b/a Connect!) now will be provided by the *entire Connect family of companies* and not by a single entity. Because CCC is no longer the sole entity providing the funding for the Company's Tennessee operations, and because the name of the holding company, Connect Holdings, is not used on any of the Company's financial statements, the correct name of the entity providing both funding and financial information for Connect!LD and CCCTN, Inc. is either *Connect!* or *Connect.com*. The Company uses both terms interchangeably to reflect the entire, consolidated family of Connect companies.

For the TRA's convenience, a revised Corporate Structure Chart, which was appended to the Application as ***Exhibit C***, is attached hereto.

VERIFICATION

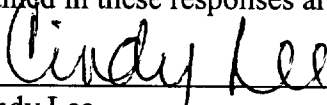
State of Arkansas)
)
County of Pulaski) ss.

Cindy Lee, Affiant, being duly sworn according to law, deposes and says that:

She is the **Manager of Regulatory Affairs** (Office of Affiant) of Connect!LD, Inc.

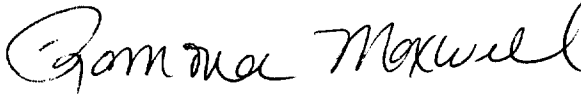
That she is authorized to testify on behalf of said corporation;

That she has caused the foregoing responses to data requests submitted by the Tennessee Regulatory Authority ("TRA") to be prepared on her behalf, that she has read the foregoing responses and knows the contents thereof, and that, to the best of her knowledge, information, and belief, the statements and information contained in these responses are true and correct.



Cindy Lee,
Manager of Regulatory Affairs
Connect!LD, Inc.

Sworn and subscribed before me this 25th day of February, ~~XX~~ 2000



Ramona M. Maxwell, Notary Public
Pulaski County, Arkansas
My Commission Expires 3/7/2005

EXHIBIT C

AMENDED CORPORATE STRUCTURE CHART

Connect Holdings Corp.

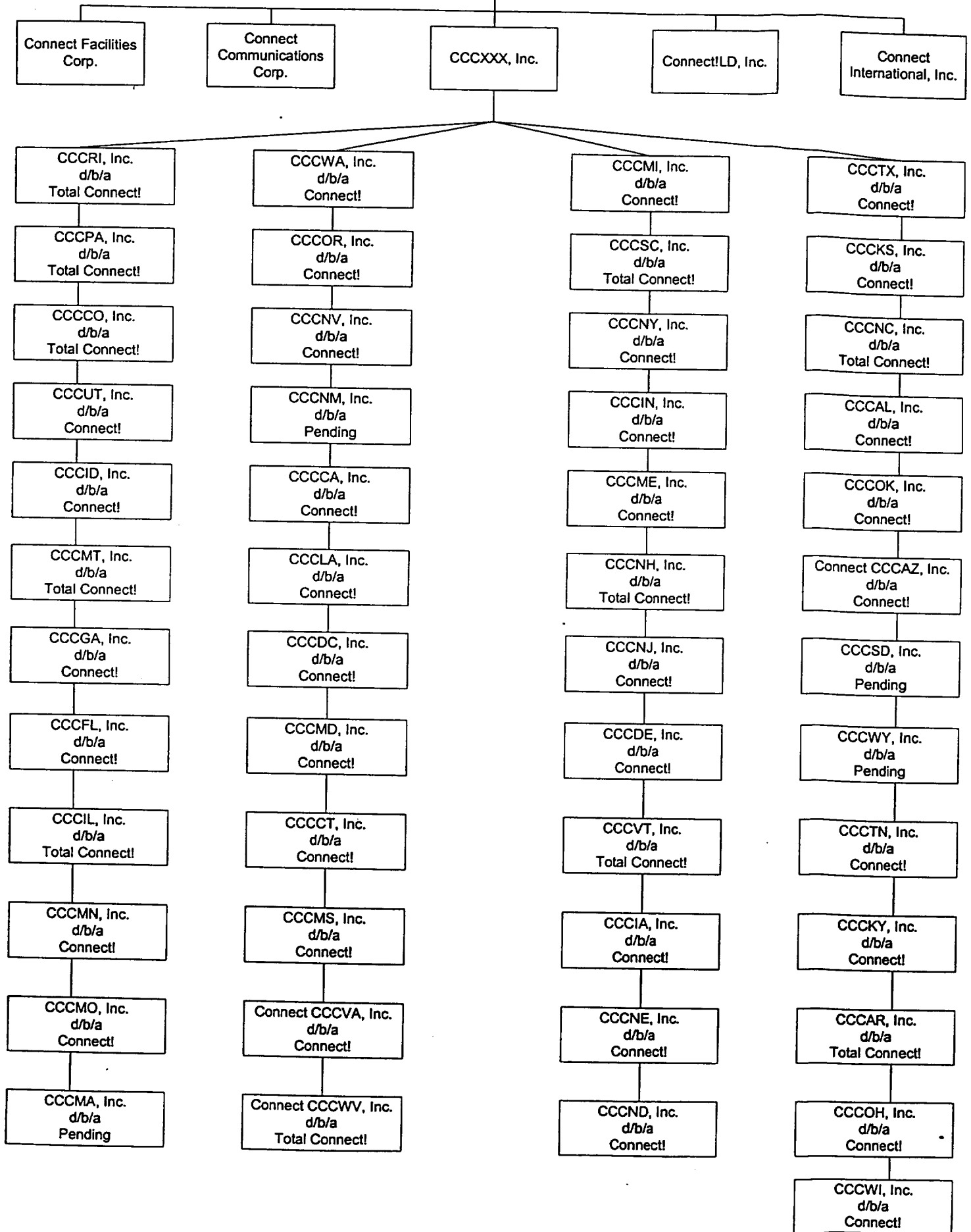


EXHIBIT D

1999 CONSOLIDATED FINANCIAL STATEMENTS

[CONFIDENTIAL AND PROPRIETARY –FILED UNDER SEAL]

On File at TRA
Docket Room

EXHIBIT D

BALANCE SHEET

[CONFIDENTIAL AND PROPRIETARY –FILED UNDER SEAL]

EXHIBIT D

INCOME STATEMENT

[CONFIDENTIAL AND PROPRIETARY – FILED UNDER SEAL]

EXHIBIT D

CASH FLOW STATEMENT

[CONFIDENTIAL AND PROPRIETARY – FILED UNDER SEAL]

STATE OF TENNESSEE

BEFORE THE TENNESSEE REGULATORY AUTHORITY

In re Application of)
)
CONNECT!LD, INC.)
)
For a Certificate of Public Convenience)
And Necessity to Provide Competing)
Switched-Based Resold Interexchange)
Telecommunications Services)
In the State of Tennessee)

Docket No. 99-00856

PRE-FILED TESTIMONY OF

CINDY LEE
MANAGER OF REGULATORY AFFAIRS
CONNECT!LD, INC.

INTRODUCTION

- Q. Please state your name, title and business address and telephone number for the record.**
- A.** My name is Cindy Lee. I am the Manager of Regulatory Affairs for Connect!LD, Inc. ("Connect!" "Company" or "Applicant") and for all of the Connect! family of companies throughout the United States. My business address is 124 W. Capitol, Suite 250, Little Rock, Arkansas 72201. My telephone number is (501) 401-7760.
- Q. Please give a brief description of your background and experience.**
- A.** I have 13 years regulatory experience, and a Bachelor of Business Administration in Finance from Dallas Baptist University in Dallas, Texas. I was employed by Central and South West Corporation as Manager of Litigation and Regulatory Support. Before joining Connect!, I served as Project Coordinator for AT&T for the implementation of

the AT&T/SunCom network in Arkansas. As Manager of Regulatory Affairs for the entire Connect! family, I am responsible for the Company's local, state and federal certification and compliance and interconnection contract negotiations. In addition, I am also responsible for addressing regulatory compliance issues arising from marketing, operations, billing and customer service.

PURPOSE AND SUMMARY

Q. Have you provided testimony before the Tennessee Regulatory Authority ("TRA") on any other occasion?

A. Yes. I provided *pre-filed* testimony to the TRA on January 20, 2000 on behalf of CCTN, Inc. d/b/a Connect! However, I have not yet provided oral/in-person testimony to the TRA.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of Connect!

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the Application of Connect! for the authority to provide switch-based resold long distance telecommunications services in the State of Tennessee ("Application") by presenting evidence regarding the corporate authority and the financial, managerial and technical capabilities of Connect!, describing its proposed services, and discussing the benefits of Connect!'s proposed services for members of the Tennessee public.

Q. Please summarize the main points of your testimony.

A. My testimony will address the following key issues:

- A description of Application;
- A description of Applicant;
- A description of Applicant's financial qualifications;

- A description of Applicant's managerial qualifications;
- A description of Applicant's customer service qualifications;
- The reasons why approval of this Application is in the public interest;

APPLICATION AND AMENDMENTS

Q. Are you familiar with the Application that Connect! filed with the TRA on November 8, 1999 for a Certificate of Public Convenience and Necessity to Provide Competing Switch-Based Resold Interexchange Telecommunications Services in the State of Tennessee?

A. Yes.

Q. Do you ratify and confirm the statements that are made in Connect!'s application and supplement thereto?

A. Yes.

Q. Do you wish to make any changes to any statements that are made in Connect!'s application and supplement thereto?

A. Yes. At the time that the Application was filed, Connect Holdings Corporation ("Connect Holdings") was a sister company of Connect Communications Corp. ("CCC"), as was represented in the Application. Since that time, CCC has become a wholly-owned subsidiary of Connect Holdings. For further information, please see the Company's *Consent to Action*, which is appended hereto, as well as *amended Exhibit C*, the Company's Corporate Organizational Chart, which has been filed with the Company's responses to the TRA's data requests. These responses have been filed concurrently with this testimony.

Moreover, Page 4 of the Application mistakenly indicates that CCCTN is a Nebraska corporation. We would like to amend this to reflect the fact that CCCTN is a Nevada corporation. Also, Page 5 of the Application indicates that CCC is operational

in Arkansas and Rhode Island; the Company is now also operational in Utah. Finally, Page 5 has a list of states where Connect!LD had authority at the time of filing. We now have authority in the following additional states: (1) for local exchange authority: D.C., Illinois, Iowa, Kentucky, Mississippi, Missouri, New Mexico, West Virginia, Wisconsin; (2) for long distance authority, – Alabama, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Mississippi, Missouri, Nebraska, New Mexico, North Dakota, South Dakota, Wyoming. These additional authorizations are also referred to on pages 5-6 of this testimony.

Q. Are there any other changes that you wish to make to any statements that are made in Connect!’s application and supplement thereto?

A. Yes. The pro-forma projected financial statements initially submitted with the Application reflected the Company’s projected costs and revenues for its *entire* Tennessee operations – both local and long distance. For the TRA’s convenience, revised financial statements in the name of Connect!LD, Inc, only, are appended hereto as *Amended Exhibit F*.

Q. Please describe the authority that Connect! seeks by its Application.

A. Connect! seeks a certificate of public convenience and necessity to provide switch-based resold long distance telecommunications services throughout the State of Tennessee. The Company plans to offer full range of switched-based resold interexchange services in Tennessee, using a combination of its own switches and the underlying transmission facilities of a facilities-based carrier or carriers of the Company’s choice. Such services will include: “1+” and “0+” capabilities, and access to “10-1X-XXXX” services, switched inbound calling, switched outbound calling, dedicated inbound calling,

dedicated outbound calling, toll directory assistance and operator services. The Company may expand its long distance service offerings at a later date to include other interexchange services.

Q. Is Connect! authorized to do business in the State of Tennessee?

A. Yes. A copy of Connect!'s authorization to transact business in Tennessee is attached as *Exhibit B* to its Application.

Q. Please provide a brief description of the Applicant and its corporate structure.

A. Connect! is a privately-held corporation organized under the laws of the State of Nevada, organized to provide resold interexchange telecommunications services initially to business customers, and, eventually, to residential customers, in the State of Tennessee and throughout the United States. Connect! is a wholly-owned subsidiary of Connect Holdings Corporation, a Nevada corporation. Connect Holdings also is the parent company of CCC, an Arkansas corporation. Connect! will rely upon its affiliate company, CCC, for all technical and managerial support, and will rely upon the entire Connect! family of corporations for financial support. Connect! will offer business customers in Tennessee (and, eventually, residential customers) a full range of switched-based resold interexchange services, using its own switches.

Q. Has the Company applied for any other telecommunications authority from this Commission?

A. No.

Q. Does Connect! and/or its affiliates hold Certificates of Authority in other jurisdictions?

A. Yes. As of this date, the Applicant's local exchange carrier affiliates are authorized to provide resold and facilities-based local exchange services, by virtue of certification, registration or tariff requirements, or on a deregulated basis, in the following thirty-two (32) states: Alabama, Arkansas, California, Colorado, District of Columbia, Florida, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Massachusetts, Michigan, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Mexico, New York, North Carolina, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Utah, Washington, West Virginia and Wisconsin. The Applicant's other local exchange carrier affiliates currently are in the process of obtaining authority to provide resold and facilities-based local exchange services in the following seventeen (17) states and territories: Arizona, Connecticut, Delaware, Georgia, Indiana, Maine, Maryland, Minnesota, Nebraska, New Jersey, North Dakota, Ohio, Oklahoma, Tennessee, Vermont, Virginia and Wyoming. In addition, Connect!LD, Inc. is authorized to provide switched-based resold interexchange services, by virtue of certification, registration or tariff requirements, or on a deregulated basis, in the following thirty-four (34) states: Alabama, Arkansas, California, Colorado, District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Massachusetts, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, North Dakota, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Utah, Washington, West Virginia, Wisconsin and Wyoming. Furthermore, Connect!LD currently is in the

process of obtaining authority to provide switched-based resold interexchange service in the following fifteen (15) states: Arizona, Connecticut, Delaware, Louisiana, Maine, Maryland, Minnesota, New Jersey, New York, North Carolina, Ohio, Oklahoma, Tennessee, Vermont and Virginia. Through its local exchange carrier affiliates, the Company currently provides local exchange telecommunications service to customers in Arkansas and Rhode Island and Utah. Connect! is not yet operational in any other state.

Q. How will Connect!'s customers contact the Company regarding trouble reports, billing errors and complaints?

A. Connect!'s customer service center will be staffed by fully-trained customer service representatives who will be prepared to assist its customers with service, service quality, maintenance and billing issues. The Company's toll-free number for customer services, which is available 24 hours a day, seven (7) days a week, is (877) 200-5022. Alternatively, customers may communicate billing questions or concerns to Connect! customer service representatives in writing by sending correspondence to its Company headquarters at:

Glenda Bunch, Customer Service Manager
Connect!LD, Inc. (Connect.com also is acceptable)
124 W. Capitol, Suite 250
Little Rock, Arkansas 72201

Q. Does the Applicant have a business office in Tennessee?

A. No, as of this date, Connect! has not yet established a business office in Tennessee. However, as indicated in Connect!'s authorization to transact business, submitted as *Exhibit B* to Connect!'s Application, the company maintains a registered agent, CT Corporation System, in Knoxville, Tennessee.

Q. Does the Applicant have a Small and Minority-Owned Telecommunications Business Participation Plan in the State of Tennessee, as required by T.C.A. § 65-5-212?

A. Yes. Connect! submitted a Small and Minority-Owned Telecommunications Business Participation Plan to the TRA as *Exhibit H* to its Application.

FINANCIAL QUALIFICATIONS

Q. Is Connect! financially qualified to provide the services it proposes to offer within the State of Tennessee?

A. Yes. As demonstrated by *Exhibits E, F and G* to its Application (as supplemented by the responses to the TRA's data requests, filed with the TRA concurrently with this testimony), Connect! has access to the financing and capital necessary to operate as a provider of switch-based resold interexchange telecommunications services in the State of Tennessee. As a start-up company, Connect! has no significant financial history, and currently is in the process of making network investments, as well as securing vendors for the equipment and construction of its network. However, as the Company's consolidated 1999 financial statements clearly demonstrate, Connect! has ample capital to compete effectively in the market for competitive local exchange telecommunications services in Tennessee. Moreover, as the Company has asserted in its supplemental responses to the TRA, any net income losses projected for its Tennessee operations in the next few years (due to initial capital expenditures) will be covered by the Company's owners, potential investors and currently operational points of presence ("POPs") in other states.

MANAGERIAL QUALIFICATIONS

Q. Is Connect! managerially qualified to provide the services it proposes within the State of Tennessee?

A. Yes. As demonstrated by the executive profiles of Connect!'s management team contained in *Exhibit D* of its Application, Connect! is managerially qualified to provide the services proposed in its Application. Because the Applicant is a start-up company, it will rely upon the corporate management personnel of its sister company, CCC, for technical and managerial expertise. The Company's management team includes individuals with substantial experience in successfully developing, growing and operating telecommunications businesses. As a result, Connect! will be managed by persons with extensive experience in the telecommunications industry. This expertise in the telecommunications industry makes Connect!'s management team well-qualified to construct, operate and manage Connect!'s resold interexchange network in Tennessee.

Q. Is Connect! technically qualified to provide the services it proposes within the State of Tennessee?

A. Yes. The Company's state-of-the-art network (which employs a Lucent TNT Softswitch and related equipment for its Tennessee operations) will enable Connect! to offer advanced telecommunications service offerings of the highest quality to its business and residential customers in Tennessee.

Q. Briefly describe how approval of Connect!'s Application is in the public interest.

A. Approval of Connect!'s Application is in the public interest for several reasons. First, such approval is in the public interest because, as demonstrated both in the Application and in this testimony, Connect! is well-qualified, financially, managerially and technologically, to serve as a competitive switch-based resold interexchange carrier in the State of Tennessee. Second, approval of Connect!'s Application will increase

competition in the market for business telecommunications services in the State of Tennessee, leading to downward pressure on prices, more innovative service offerings, and better overall service quality for Tennessee customers.

Q. Does this conclude your testimony at this time?

A. Yes, it does.

VERIFICATION

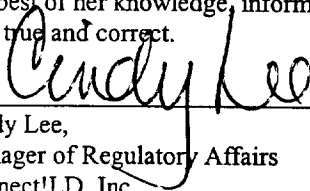
State of Arkansas)
)
County of Pulaski) ss.

Cindy Lee, Affiant, being duly sworn according to law, deposes and says that:

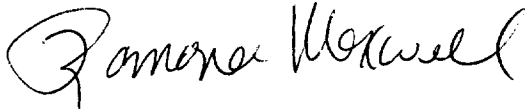
She is the Manager of Regulatory Affairs (Office of Affiant) of Connect!LD, Inc.

That she is authorized to testify on behalf of said corporation;

That she has caused the foregoing written testimony to be prepared on her behalf, that she has read the foregoing testimony and knows the contents thereof, and that, to the best of her knowledge, information, and belief, the statements and information contained in this testimony are true and correct.


Cindy Lee,
Manager of Regulatory Affairs
Connect!LD, Inc.

Sworn and subscribed before me this 25th day of February, ~~XX~~ 2000



Ramona M. Maxwell, Notary Public
Pulaski County, Arkansas
My Commission Expires 3/7/2005

CONSENT TO ACTION

**UNANIMOUS CONSENT TO CORPORATE ACTION
WITHOUT A MEETING OF THE
DIRECTORS AND SHAREHOLDERS OF
Connect Communication Corporation**

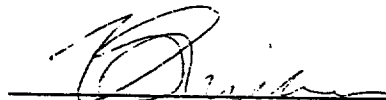
The undersigned, constituting the sole director and sole shareholder, respectively of Connect Communications Corporation, an Arkansas corporation, pursuant to the provisions of the general corporation law, do hereby consent to and approve the following actions without a meeting:

RESOLVED, that the Corporation elect to be treated as a Qualified Sub-Chapter S. Subsidiary within the meaning of Section 1361(b)(3)(B) of the Internal Revenue Code of 1986, as amended, and that the officers of the Corporation be and hereby are directed to take such actions as may be necessary to cause such election to be treated as a Qualified Sub-Chapter S Subsidiary to be prepared and filed with the Internal Revenue Service and take such additional action as may be necessary or helpful in connection with such election.

The forgoing action without a meeting shall have the same effect as any action approved at any regular or specially called meeting of the Board of Directors or Shareholders with respect to the subject matter thereof. A copy of this consent action should be placed in the Corporate Record Book and maintained by the Secretary of the Corporation.

IN WITNESS HEREOF, we have executed this Consent to Action Without a Meeting effective December 9, 1999.

BOARD OF DIRECTORS:


Ted L. Snider, Jr.

SHAREHOLDER:
Connect Holding Corporation

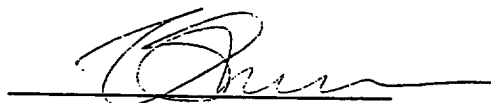

Ted L. Snider, Jr.

EXHIBIT F

***AMENDED* THREE YEAR PROJECTED FINANCIAL STATEMENTS OF CONNECT!LD, INC.**

[CONFIDENTIAL AND PROPRIETARY – FILED UNDER SEAL]